

EXHIBIT 14

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In Re:

BERNARD L. MADOFF INVESTMENT
SECURITIES LLC,

Adv.Pro.No.
08-01789(BRL)

Debtor.

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IRVING H. PICARD, Trustee for the
Liquidation of Bernard L. Madoff
Investment Securities LLC,

Plaintiff,

Adv.Pro.No.
09-1182(BRL)

v.

J. EZRA MERKIN, GABRIEL CAPITAL,
L.P., ARIEL FUND LTD., ASCOT
PARTNERS, L.P., GABRIEL CAPITAL
CORPORATION,

Defendants.

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VIDEOTAPED DEPOSITION of JOHN L.

STEFFENS, as taken by and before NANCY C. BENDISH,
Certified Court Reporter, RMR, CRR and Notary Public
of the States of New York and New Jersey, at the
offices of BAKER & HOSTETLER, 45 Rockefeller Plaza,
New York, New York on Tuesday, October 9, 2012,
commencing at 10:10 a.m.

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<p style="text-align: right;">40</p> <p>1 Q. You mentioned discussing 2 diversification. Did you ever have occasion to 3 mention to Mr. Merkin your philosophy to limit the 4 concentration of investments in any particular fund 5 as part of Spring Mountain's basic philosophy? 6 MS. PRINC: Object to form. 7 A. Yes. Yeah, we talked about the 8 creation of the funds. We generally, you know, had 9 views that 25 to 30 funds were an appropriate 10 diversification structure. In some of our later 11 funds we had as many as 60 or 65 funds. So, we 12 discussed the makeup of those funds, you know, 13 certainly from time to time. 14 Q. Did you ever, during the course of 15 these conversations with Mr. Merkin, did he ever 16 explain to you the things he did in connection with 17 due diligence on the investments he was managing? 18 A. Yes. It's different from the two 19 funds, but we discussed numerous times the 20 conversations that he'd had with Bernie Madoff in 21 terms of looking at how Ascot was structured and 22 whether Bernie was going to change some of his 23 particular views and whether Ezra agreed with that 24 or didn't agree with that. 25 There was certainly one conversation</p>	<p style="text-align: right;">42</p> <p>1 or three other people who assisted him in reviewing, 2 reviewing various and sundry company reports about 3 those kinds of debt instruments. They changed over 4 time. He had a small group of people who executed 5 trades that were within his office that traded some 6 of those types of high yield securities. 7 I had spent time with some of the 8 people at Cerberus looking at a variety of the 9 private equity yields that Cerberus had done that 10 were also included in Gabriel and Ariel. 11 Q. Did Mr. Merkin ever indicate to you 12 that anybody assisted him in connection with 13 conducting qualitative due diligence on Mr. Madoff? 14 MS. PRINC: Object to form. 15 A. No, he never indicated one way or the 16 other. 17 Q. Okay. You mentioned a number of 18 these people, Mr. Sherman and in-house traders. Did 19 he indicate any of those were involved in connection 20 with the Ascot Fund? 21 MS. PRINC: Object to form. 22 A. No, he didn't indicate that they were 23 involved in Ascot. And I saw, and specifically with 24 David Sherman, who I probably knew the best, he 25 spent the best -- in fact, probably 110 percent of</p>
<p style="text-align: right;">41</p> <p>1 that I recall particularly where Bernie was going to 2 begin to use longer term options called LEAPS and 3 Ezra didn't want to do that because he felt that 4 they added illiquidity to his portfolio. 5 In the case of, in the case of 6 Gabriel and Ariel, we talked about both the private 7 equity positions in those funds, as well as some of 8 the high yield investments in those funds fairly 9 frequently. 10 Q. In these conversations, did 11 Mr. Merkin ever indicate to you that he did any kind 12 of quantitative analysis of the investments he 13 managed? 14 MS. PRINC: Object to the form. 15 A. No. He basically didn't spend much 16 time doing quantitative analysis. His was mostly 17 done on the qualitative side. 18 Q. Did he ever indicate to you who at 19 Gabriel Capital, his company, assisted him in 20 conducting qualitative evaluations of potential 21 investments? 22 MS. PRINC: Object to the form. 23 A. There were several people that helped 24 him with different aspects of certainly the high 25 yield portfolio. David Sherman was one. He had two</p>	<p style="text-align: right;">43</p> <p>1 his time on the high yield debt side and, to the 2 best of my knowledge, had nothing to do with Ascot. 3 Q. So the high yield debt side was Ariel 4 and Gabriel? 5 A. Right. 6 MR. COLOMBO: Mark this as Trustee's 7 Exhibit 3. 8 (Exhibit Trustee-3 marked for 9 identification.) 10 Q. Mr. Steffens, we've marked as 11 Trustee's Exhibit 3 an email dated March 14, 2007. 12 It's an email chain, March 14, 2007. Have you seen 13 this document? 14 A. No. 15 Q. If you look at the second email 16 address, not the top one but underneath where it 17 says from Greg Ho to Adam Gleicher with a copy to 18 you and a copy to Mr. Merkin. Does that refresh 19 your recollection that you've seen this? 20 A. No. 21 Q. Do you know Adam Gleicher? 22 A. Yes. 23 Q. Who is he? 24 A. He was involved in the portfolio at 25 Yeshiva University.</p>

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<p>1 segregated but they were kept at Madoff instead of</p> <p>2 Morgan Stanley?</p> <p>3 A. After 2004-2005.</p> <p>4 Q. All right. If you look under</p> <p>5 "Impressions and Conclusions" on that same page, the</p> <p>6 second one says Mr. Merkin is a close friend of Mr.</p> <p>7 Madoff. Was that your understanding also?</p> <p>8 A. Yes.</p> <p>9 MS. PRINC: Object to form.</p> <p>10 Q. How did you obtain that</p> <p>11 understanding?</p> <p>12 A. From things that -- conversations</p> <p>13 that Ezra and I had, my understanding is he met with</p> <p>14 him, you know, numerous times during the year.</p> <p>15 Probably, you know, I would say 10 to 12 times a</p> <p>16 year, one on one, to discuss these strategies, and</p> <p>17 Ezra related some of those meetings or the results</p> <p>18 of some of those meetings to me, so I made the</p> <p>19 assumption that they were close, more than</p> <p>20 acquaintances, they were close business</p> <p>21 relationships and friends.</p> <p>22 Q. Now, the last statement here under</p> <p>23 "Impressions and Conclusions" is, "We believe that</p> <p>24 if there were ever any issue with the Madoff</p> <p>25 accounts, Mr. Merkin would be the first to know."</p>	<p>1 had within the investment group.</p> <p>2 Q. Look on page 1 of the document. I</p> <p>3 understand you've never seen it before, but I want</p> <p>4 to see if your understanding is the same as set</p> <p>5 forth in this email.</p> <p>6 In the second paragraph under</p> <p>7 "Strategy Review," in talking about Ascot funds it</p> <p>8 says, "Cash balances are held at Morgan Stanley and</p> <p>9 are not aggressively managed." Was that your</p> <p>10 understanding as to where the cash balances of the</p> <p>11 Ascot funds were held?</p> <p>12 A. At the date of this memo, that</p> <p>13 wouldn't have been my understanding.</p> <p>14 Q. What is your understanding where they</p> <p>15 were held as of the date of this memo?</p> <p>16 A. At Madoff.</p> <p>17 Q. And does this go back to what you</p> <p>18 were talking about earlier when you were conducting</p> <p>19 the due diligence for Aozora Bank and talked to Mr.</p> <p>20 Autera?</p> <p>21 A. Right.</p> <p>22 Q. Turn to the second page of the</p> <p>23 document. Look at the first paragraph that begins</p> <p>24 on that page. It's talking about what it refers to</p> <p>25 as a bull spread trade.</p>
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<p>1 Was that your sense also?</p> <p>2 MS. PRINC: Object to form.</p> <p>3 A. Yes, I would agree that that would</p> <p>4 have been my sense.</p> <p>5 Q. And, again, that's based on what</p> <p>6 you've already told me in terms of relationship</p> <p>7 between Mr. Madoff and Mr. Merkin?</p> <p>8 A. Right.</p> <p>9 MS. PRINC: Object to form.</p> <p>10 MR. COLOMBO: Mark that as Trustee's</p> <p>11 Exhibit 7, please.</p> <p>12 (Exhibit Trustee-7 marked for</p> <p>13 identification.)</p> <p>14 Q. Mr. Steffens, we've marked as Exhibit</p> <p>15 Trustee-7 a document produced out of Spring</p> <p>16 Mountain's files. It's an email and an attachment</p> <p>17 from Greg Ho to Jason Orchard dated March --</p> <p>18 A. No. From Jason Orchard --</p> <p>19 Q. I'm sorry, thank you. From Jason</p> <p>20 Orchard to Greg Ho with a copy to Christian</p> <p>21 Strzelecki. Have you ever seen this document</p> <p>22 before?</p> <p>23 A. I don't recall ever seeing it before.</p> <p>24 Q. Can you tell me who Christian is?</p> <p>25 A. He was one of the analysts that we</p>	<p>1 A. Um-hum.</p> <p>2 Q. And it says, in the second sentence,</p> <p>3 "As Ezra described it, essentially Ascot is no</p> <p>4 different than flipping a coin, but trades are</p> <p>5 structured so that Ascot can be right only 25</p> <p>6 percent of the time and still be able to break</p> <p>7 even," end of quote.</p> <p>8 Did you ever have a conversation with</p> <p>9 Mr. Merkin in which he made that sort of a statement</p> <p>10 to you?</p> <p>11 A. Not the part about flipping a coin.</p> <p>12 But I believe that he felt that Ascot could be right</p> <p>13 a relatively small percentage of the time and still</p> <p>14 be able to break even.</p> <p>15 Q. Based on how the strategy was</p> <p>16 executed?</p> <p>17 A. Yes.</p> <p>18 Q. Look at the third page, the paragraph</p> <p>19 that begins with 4 and a close parenthesis.</p> <p>20 A. Um-hum.</p> <p>21 Q. It talks about a trade structured</p> <p>22 around the options of the S & P 100, OEX options.</p> <p>23 A. Um-hum.</p> <p>24 Q. Was it your understanding that in</p> <p>25 executing his strategy, Madoff was using OEX</p>

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<p>1 A. We had never discussed what our role 2 was going to be, whether it would be -- we were 3 going to be a third-party manager or not, but it 4 never went very far. 5 Q. Okay. 6 Do you know a man named Fabio 7 Savoldelli? 8 A. Yes. 9 Q. Did you and he ever have any 10 discussions concerning Bernie Madoff that you can 11 recall? 12 A. No, we did not. 13 Q. In connection with the potential 14 levered Madoff funds that you heard about or were 15 peripherally involved in, were you ever aware that 16 anybody did any due diligence on Madoff in 17 connection with any of those proposals? 18 A. Not that I know of. 19 MR. COLOMBO: We're out of tape. 20 Let's stop, change the tape. 21 THE VIDEOGRAPHER: Going off the 22 record, the time is 3:04. This ends tape number 3. 23 (Recess taken.) 24 THE VIDEOGRAPHER: We are back on the 25 record. The time is 3:16. This is tape number 4.</p>	<p>1 really followed particularly, but I would say I 2 think that his third party market making firm was 3 probably less of a factor than it had been in the 4 '90s, but I don't think that his overall image until 5 that time in December had changed materially. 6 Q. Were you aware of his position as 7 chairman of NASDAQ? 8 A. Yes, I was. 9 Q. Were you aware of any other official 10 or public roles he held? 11 A. No. 12 Q. I'd like to ask you about the 13 Wolfsons. 14 A. Yes. 15 Q. You mentioned them earlier in your 16 deposition. Who are they? 17 A. They're a -- well, Zev Wolfson is an 18 investor in New York City in real estate, private 19 equity and hedge funds, has been quite successful. 20 Recently passed away. His sons still run that 21 business, as far as I know. 22 Q. Do you know the approximate value of 23 their family's business? 24 A. No. 25 Q. Would it be fair to say it's around a</p>
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<p>1 MR. COLOMBO: I've concluded my 2 questioning for now. 3 4 EXAMINATION BY MS. PRINC: 5 Q. Mr. Steffens, good afternoon. My 6 name is Diane Princ. I represent J. Ezra Merkin and 7 Gabriel Capital Corporation. I'm just going to ask 8 you a few questions on behalf of them. 9 I just first want to ask you a little 10 bit about Mr. Madoff. When did you first hear about 11 him? 12 A. Probably 1994. I was the chairman of 13 Security Industry Association. Mr. Madoff was a 14 committee head, I believe for the third party market 15 group. And so I met him in conjunction with that 16 role I played as the chairman of the SIA. And he 17 was certainly in that community well respected, well 18 thought of. His third party market making was, 19 again -- I'd say he was in the top four or five 20 firms that did third-party market making at the time 21 and, as I said, was generally well thought of. 22 Q. And from that time until his 23 confession in December 11, 2008, did his reputation 24 change at all within the market? 25 A. Well, you know, it's not one that I</p>	<p>1 billion or more? 2 MR. COLOMBO: Objection. 3 A. I would say it's probably a billion 4 or more, yes. 5 Q. And what is your relationship with 6 them? 7 A. I was an advisor to them for an 8 extended period of time on an unpaid basis. We have 9 invested some money for them from time to time, so 10 they were an investor in some of the Spring Mountain 11 funds, and I've known the family for, as of today, 12 probably for 20 years. 13 Q. Would you call them sophisticated 14 investors? 15 A. I would. 16 Q. And why? 17 A. Well, they have a significant real 18 estate business. My attitude, anybody that's 19 invested in real estate should be considered 20 sophisticated. But in addition to that they have an 21 extensive hedge fund portfolio and an extensive 22 private equity portfolio that probably has anywhere 23 from 30 to 50 managers on both sides. 24 Q. And so what's the approximate size of 25 their hedge fund portfolio?</p>

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